

SMALL BUSINESS

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RESEARCH SUMMARY

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US Summary Corporate Change Tables

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Purpose

The purpose of this research effort was twofold: (1) to measure job growth for each state between 1992-1996, using a variety of methodologies; and (2) to examine the dynamics of job change by developing a matrix to follow the growth of individual establishments through time.

Scope and Methodology

The researcher produced an edited Dun and Bradstreet (DMI) file, containing approximately 14 million establishments for the four-year period 1992-1996. The process involved complex assumptions about the rate of adding new births to the files, as well as a number of individual decisions regarding the treatment of mergers and acquisitions that occurred during the period.

Several different methodologies were tested to see if they affected the job creation results, including a base-year methodology, 2- and 3-year averages, and an ending-year methodology. Also, at the request of the Office of Advocacy, several tables from previous job creation studies were tested using the different methodologies to see if they affected

the results. In addition, this contract represented the first time job dynamics were available at the state level for the 1992-1996 period.

Highlights

- Between 1992 and 1996, 11.18 million new jobs were created. All of the net new jobs came from firms with fewer than 500 employees. Large firms with more than 500 employees posted a net loss of about 643,000 jobs.
- Using the base-year methodology, micro businesses with 1 to 4 employees created 52 percent of the net new jobs. Individual tables show the results for states and major industrial sectors.
- When the ending-year methodology was applied, the job creation by the smallest firms turned negative—presumably because the surviving firms had grown into larger size classes. The net growth results for the other size classes remained about the same.

This report summarizes one of a series of research papers prepared under contracts issued by the U.S. Small Business Administration's Office of Advocacy. The opinions and recommendations of the authors of this study do not necessarily reflect official policies of the SBA or any agency of the U.S. government. The Administrator of the U.S. Small Business Administration has determined that the publication of this periodical is necessary in the transaction of the public business required by law of this agency. Use of funds for printing this periodical has been approved by the director of the Office of Management and Budget.

- When 2- and 3-year averaging was used, the results changed little, but were more positive for the smallest size class.
- Job change data are shown separately for jobs created by new firm births and through expansions of existing firms. Jobs created by births accounted for about 70 percent of the total employment increase. Also shown separately are job change data for jobs lost by contractions of existing firms and by firm deaths. Other tables in the report show the job change results on a job-per-establishment basis.
- A 1992-1996 job change transition matrix is developed in the report. During this period, 19.55 million jobs were lost across all firm size classes, while 28,372 million jobs were created through births. Taken together, this means that about 48 million jobs (out of a total employment of about 68 million jobs in 1992) were being created or destroyed during the period. This is a turnover rate of about 18 percent annually, lower than many other estimates.

This contract was the Office of Advocacy's first major attempt to test the sensitivity of the job creation findings using different methodologies. Critics of small business' job generation findings should take note that the job creation results were only sensitive for the smallest size class, but not for the small firm sector in general.

Ordering Information

The complete report is available from:

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